

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SENATE BILL 1344

AN ACT

AMENDING SECTIONS 38-844.02 AND 38-844.10, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-844.11; AMENDING LAWS 2005, CHAPTER 258, SECTION 2; PROVIDING FOR THE DELAYED REPEAL OF SECTION 38-844.11, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; RELATING TO THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 38-844.02, Arizona Revised Statutes, is amended to
3 read:
4 38-844.02. Deferred retirement option plan; purpose; employees
5 hired before July 1, 2006
6 A. A deferred retirement option plan is established. The purpose of
7 the deferred retirement option plan is to add flexibility to the system and
8 to provide members who elect to participate in the deferred retirement option
9 plan access to a lump sum benefit in addition to their normal monthly
10 retirement benefit on actual retirement.
11 B. The fund manager shall offer the deferred retirement option plan to
12 members on a voluntary basis as an alternative method of benefit accrual
13 under the system.
14 C. THIS SECTION AND SECTIONS 38-844.03 THROUGH 38-844.09 ONLY APPLY TO
15 THOSE EMPLOYEES WHO ARE HIRED BEFORE JULY 1, 2006. EMPLOYEES WHO ARE HIRED
16 AFTER JUNE 30, 2006 ARE NOT ENTITLED TO PARTICIPATE IN THE DEFERRED
17 RETIREMENT OPTION PLAN.
18 Sec. 2. Section 38-844.10, Arizona Revised Statutes, is amended to
19 read:
20 38-844.10. Reverse deferred retirement option plan; employees
21 hired before July 1, 2006
22 A. THIS SECTION ONLY APPLIES TO THOSE EMPLOYEES WHO ARE HIRED BEFORE
23 JULY 1, 2006. EMPLOYEES WHO ARE HIRED AFTER JUNE 30, 2006 ARE NOT ENTITLED
24 TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN AS PRESCRIBED
25 BY THIS SECTION BUT MAY PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION
26 PLAN PRESCRIBED BY SECTION 38-844.11.
27 A. B. A reverse deferred retirement option plan is established. The
28 purpose of the reverse deferred retirement option plan is to add flexibility
29 to the system and to provide members who elect to participate in the reverse
30 deferred retirement option plan access to a lump sum benefit in addition to
31 their normal monthly retirement benefit on actual retirement.
32 B. C. The fund manager shall offer the reverse deferred retirement
33 option plan to members on a voluntary basis as an alternative method of
34 benefit accrual under the system.
35 C. D. Any member who is eligible for a normal pension pursuant to
36 section 38-844, subsection A, who has not elected to participate in the
37 deferred retirement option plan pursuant to section 38-844.03 and who has at
38 least twenty years of credited service is eligible to participate in the
39 reverse deferred retirement option plan.
40 D. E. A member who elects to participate in the reverse deferred
41 retirement option plan shall voluntarily and irrevocably:
42 1. Designate a reverse deferred retirement option plan date that is
43 the first day of the calendar month immediately following a member's
44 completion of twenty years of credited service or a date not more than sixty

1 consecutive months before the date the member elects to participate in the
2 reverse deferred retirement option plan, whichever is later.

3 2. Agree to terminate employment on the date the member elects to
4 participate in the reverse deferred retirement option plan.

5 3. Receive benefits from the system on termination of employment at
6 the same time and in the same manner as otherwise prescribed in this article
7 using the factors of credited service and average monthly benefit
8 compensation in effect on the reverse deferred retirement option plan date.

9 E. F. On election, a reverse deferred retirement option plan
10 participation account is established within the system on behalf of each
11 reverse deferred retirement option plan participant. All benefits accrued
12 pursuant to this article shall be accounted for in the reverse deferred
13 retirement option plan participation account. A reverse deferred retirement
14 option plan participant does not have a claim on the assets of the system
15 with respect to the member's reverse deferred retirement option plan
16 participation account and assets shall not be set aside for any reverse
17 deferred retirement option plan participant that are separate from all other
18 system assets.

19 F. G. All amounts credited to a member's reverse deferred retirement
20 option plan participation account are fully vested.

21 G. H. A member's reverse deferred retirement option plan
22 participation account shall be credited with the following:

23 1. An amount that is credited as though accrued monthly from the
24 reverse deferred retirement option plan date to the date the member elected
25 to participate in the reverse deferred retirement option plan and that is
26 computed in the same manner as a normal retirement benefit using the factors
27 of credited service and average monthly benefit compensation in effect on the
28 reverse deferred retirement option plan date.

29 2. An amount that is credited as though accrued monthly and that
30 represents interest at a rate equal to ~~three and one half per cent~~ THE YIELD
31 ON A FIVE YEAR TREASURY NOTE AS OF THE FIRST DAY OF THE MONTH.

32 H. I. Employee and employer contributions pursuant to section 38-843
33 that are deposited during the period of the reverse deferred retirement
34 option plan are not eligible to be refunded to the employer or member.

35 I. J. The participant is not entitled to receive any amount
36 prescribed by section 38-856 or 38-857 during the reverse deferred retirement
37 option plan participation period.

38 J. K. The form of payment shall be a lump sum distribution. If
39 allowed by the internal revenue service, the participant may elect to
40 transfer the lump sum distribution to an eligible retirement plan or
41 individual retirement account.

K. L. The reverse deferred retirement option plan shall not jeopardize in any way the tax qualified status of the system under the rules of the internal revenue service. The fund manager may adopt additional provisions to the extent necessary or appropriate for the reverse deferred retirement option plan to comply with applicable federal laws or rules.

Sec. 3. Title 38, chapter 5, article 4, Arizona Revised Statutes, is amended by adding section 38-844.11, to read:

38-844.11. Reverse deferred retirement option plan; employees hired after June 30, 2006

A. THIS SECTION ONLY APPLIES TO THOSE EMPLOYEES WHO ARE HIRED AFTER JUNE 30, 2006. EMPLOYEES WHO ARE HIRED BEFORE JULY 1, 2006 ARE NOT ENTITLED TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN AS PRESCRIBED BY THIS SECTION BUT MAY PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN PRESCRIBED BY SECTION 38-844.10.

B. A REVERSE DEFERRED RETIREMENT OPTION PLAN IS ESTABLISHED. THE PURPOSE OF THE REVERSE DEFERRED RETIREMENT OPTION PLAN IS TO ADD FLEXIBILITY TO THE SYSTEM AND TO PROVIDE MEMBERS WHO ELECT TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN ACCESS TO A LUMP SUM BENEFIT IN ADDITION TO THEIR NORMAL MONTHLY RETIREMENT BENEFIT ON ACTUAL RETIREMENT.

C. THE FUND MANAGER SHALL OFFER THE REVERSE DEFERRED RETIREMENT OPTION PLAN TO MEMBERS ON A VOLUNTARY BASIS AS AN ALTERNATIVE METHOD OF BENEFIT ACCRUAL UNDER THE SYSTEM.

D. ANY MEMBER WHO IS ELIGIBLE FOR A NORMAL PENSION PURSUANT TO SECTION 38-844, SUBSECTION A AND WHO HAS AT LEAST TWENTY-FOUR YEARS OF CREDITED SERVICE IS ELIGIBLE TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN.

E. A MEMBER WHO ELECTS TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN SHALL VOLUNTARILY AND IRREVOCABLY:

1. DESIGNATE A REVERSE DEFERRED RETIREMENT OPTION PLAN DATE THAT IS THE FIRST DAY OF THE CALENDAR MONTH IMMEDIATELY FOLLOWING A MEMBER'S COMPLETION OF TWENTY-FOUR YEARS OF CREDITED SERVICE OR A DATE NOT MORE THAN SIXTY CONSECUTIVE MONTHS BEFORE THE DATE THE MEMBER ELECTS TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN, WHICHEVER IS LATER.

2. AGREE TO TERMINATE EMPLOYMENT ON THE DATE THE MEMBER ELECTS TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN.

3. RECEIVE BENEFITS FROM THE SYSTEM ON TERMINATION OF EMPLOYMENT AT THE SAME TIME AND IN THE SAME MANNER AS OTHERWISE PRESCRIBED IN THIS ARTICLE USING THE FACTORS OF CREDITED SERVICE AND AVERAGE MONTHLY BENEFIT COMPENSATION IN EFFECT ON THE REVERSE DEFERRED RETIREMENT OPTION PLAN DATE

F. ON ELECTION, A REVERSE DEFERRED RETIREMENT OPTION PLAN PARTICIPATION ACCOUNT IS ESTABLISHED WITHIN THE SYSTEM ON BEHALF OF EACH REVERSE DEFERRED RETIREMENT OPTION PLAN PARTICIPANT. ALL BENEFITS ACCRUED PURSUANT TO THIS ARTICLE SHALL BE ACCOUNTED FOR IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN PARTICIPATION ACCOUNT. A REVERSE DEFERRED RETIREMENT OPTION PLAN PARTICIPANT DOES NOT HAVE A CLAIM ON THE ASSETS OF THE SYSTEM.

1 WITH RESPECT TO THE MEMBER'S REVERSE DEFERRED RETIREMENT OPTION PLAN
2 PARTICIPATION ACCOUNT AND ASSETS SHALL NOT BE SET ASIDE FOR ANY REVERSE
3 DEFERRED RETIREMENT OPTION PLAN PARTICIPANT THAT ARE SEPARATE FROM ALL OTHER
4 SYSTEM ASSETS.

5 G. ALL AMOUNTS CREDITED TO A MEMBER'S REVERSE DEFERRED RETIREMENT
6 OPTION PLAN PARTICIPATION ACCOUNT ARE FULLY VESTED.

7 H. A MEMBER'S REVERSE DEFERRED RETIREMENT OPTION PLAN PARTICIPATION
8 ACCOUNT SHALL BE CREDITED WITH THE FOLLOWING:

9 1. AN AMOUNT THAT IS CREDITED AS THOUGH ACCRUED MONTHLY FROM THE
10 REVERSE DEFERRED RETIREMENT OPTION PLAN DATE TO THE DATE THE MEMBER ELECTED
11 TO PARTICIPATE IN THE REVERSE DEFERRED RETIREMENT OPTION PLAN AND THAT IS
12 COMPUTED IN THE SAME MANNER AS A NORMAL RETIREMENT BENEFIT USING THE FACTORS
13 OF CREDITED SERVICE AND AVERAGE MONTHLY BENEFIT COMPENSATION IN EFFECT ON THE
14 REVERSE DEFERRED RETIREMENT OPTION PLAN DATE.

15 2. AN AMOUNT THAT IS CREDITED AS THOUGH ACCRUED MONTHLY AND THAT
16 REPRESENTS INTEREST AT A RATE EQUAL TO THE ASSUMED RATE OF RETURN DETERMINED
17 BY THE FUND MANAGER OR THE ACTUAL TOTAL RATE OF RETURN FOR THE FUND FOR THE
18 PRECEDING FISCAL YEAR IF THE ACTUAL TOTAL RATE OF RETURN IS POSITIVE,
19 WHICHEVER IS LOWER.

20 3. THE AMOUNT OF EMPLOYEE CONTRIBUTIONS MADE TO THE FUND PURSUANT TO
21 SECTION 38-843 DURING THE REVERSE DEFERRED RETIREMENT OPTION PLAN
22 PARTICIPATION PERIOD, WITHOUT INTEREST, BUT ONLY IF THE FUNDING STATUS OF THE
23 FUND AS OF THE PRIOR FISCAL YEAR END IS ONE HUNDRED PER CENT FUNDED AS
24 DETERMINED BY THE FUND'S ACTUARY.

25 I. EMPLOYEE AND EMPLOYER CONTRIBUTIONS PURSUANT TO SECTION 38-843 THAT
26 ARE DEPOSITED DURING THE REVERSE DEFERRED RETIREMENT OPTION PLAN
27 PARTICIPATION PERIOD ARE NOT ELIGIBLE TO BE REFUNDED TO THE EMPLOYER OR
28 MEMBER, EXCEPT AS PROVIDED BY SUBSECTION H, PARAGRAPH 3 OF THIS SECTION.

29 J. THE PARTICIPANT IS NOT ENTITLED TO RECEIVE ANY AMOUNT PRESCRIBED BY
30 SECTION 38-856 OR 38-857 DURING THE REVERSE DEFERRED RETIREMENT OPTION PLAN
31 PARTICIPATION PERIOD.

32 K. THE FORM OF PAYMENT SHALL BE A LUMP SUM DISTRIBUTION. IF ALLOWED
33 BY THE INTERNAL REVENUE SERVICE, THE PARTICIPANT MAY ELECT TO TRANSFER THE
34 LUMP SUM DISTRIBUTION TO AN ELIGIBLE RETIREMENT PLAN OR INDIVIDUAL RETIREMENT
35 ACCOUNT.

36 L. THE REVERSE DEFERRED RETIREMENT OPTION PLAN SHALL NOT JEOPARDIZE IN
37 ANY WAY THE TAX QUALIFIED STATUS OF THE SYSTEM UNDER THE RULES OF THE
38 INTERNAL REVENUE SERVICE. THE FUND MANAGER MAY ADOPT ADDITIONAL PROVISIONS
39 TO THE EXTENT NECESSARY OR APPROPRIATE FOR THE REVERSE DEFERRED RETIREMENT
40 OPTION PLAN TO COMPLY WITH APPLICABLE FEDERAL LAWS OR RULES.

1 Sec. 4. Laws 2005, chapter 258, section 2 is amended to read:
2 Sec. 2. Delayed repeal
3 Section 38-844.10, Arizona Revised Statutes, as added by this act, is
4 repealed from and after June 30, ~~2010~~ 2011.
5 Sec. 5. Delayed repeal
6 Section 38-844.11, Arizona Revised Statutes, as added by this act, is
7 repealed from and after June 30, 2011.
8 Sec. 6. Retroactivity
9 This act is effective retroactively to from and after June 30, 2006.